



CONGRESSIONAL BUDGET OFFICE PAY-AS-YOU-GO ESTIMATE

October 23, 1998

H. R. 4283 **Africa: Seeds of Hope Act of 1998**

As cleared by the Congress on October 20, 1998

SUMMARY

H. R. 4283 would provide direction to the Agency for International Development (AID), the Overseas Private Investment Corporation, and the U.S. Department of Agriculture (USDA) regarding the operation of programs encouraging agricultural and rural development in sub-Saharan Africa.

H. R. 4283 would affect direct spending through its impact on the Food Security Commodity Reserve (FSCR). The FSCR consists of grain stocks that can be released to continue food-aid shipments (under a program known as P.L. 480) when U.S. supplies would otherwise be too tight to continue shipments or when recipient countries have unanticipated needs. Under H. R. 4283, beginning in fiscal year 2000, USDA could use funds that it receives as reimbursement for the value of grain released from the FSCR to purchase grain to restock the FSCR. That authority does not exist under current law. CBO estimates that enacting H. R. 4283 would increase spending by \$58 million over the fiscal years 1999 through 2003 and by a total of \$73 million over the fiscal years 1999 through 2008.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of H. R. 4283 is shown in the following table. For the purposes of enforcing pay-as-you-go procedures, only the effects in the budget year and the succeeding four years are counted. The costs of this legislation fall within budget function 350 (agriculture).

	By Fiscal Year, in Millions of Dollars									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Changes in outlays	0	17	18	20	3	3	3	3	3	3
Changes in receipts					Not applicable					

BASIS OF ESTIMATE

H. R. 4283 would change several aspects of the Food Security Commodity Reserve and would rename it the Bill Emerson Humanitarian Trust (the Trust). The FSCR currently consists of grain stocks (currently all wheat) owned by the Commodity Credit Corporation (CCC)—a corporation within USDA. The government can release these FSCR stocks to continue grain shipments under the P.L. 480 food-aid program when U.S. supplies would otherwise be too tight to continue shipments or when recipient countries have unanticipated needs. When grain stocks are released from the FSCR, CCC must be reimbursed with appropriated food-aid funds for the costs of the grain released. Under current law, FSCR grain stocks cannot be replaced unless other CCC grain stocks are available or purchases from the market are authorized in an appropriation act.

Under H. R. 4283, for fiscal years 2000 through 2002, USDA would be allowed to keep and to use funds from P.L. 480 reimbursements to purchase grain to replace supplies released from the Trust. These purchases would be limited to no more than \$20 million per year. (This limit would not restrict FSCR storage and other operating costs.) H. R. 4283 would also authorize CCC to hold money—not just grain—in the Trust.

Not only would USDA incur new purchase costs but storage costs would be higher because somewhat more grain would be in the Trust. Per-bushel rates for purchasing grain would likely be in the \$3.50 to \$3.75 range; per-bushel storage costs would be about \$0.25 per year. CBO estimates that these changes would increase outlays from direct spending by \$58 million for fiscal years 1999 through 2003.

Currently, the FSCR contains about 90 million bushels (about 2.5 million metric tons) of wheat compared to the maximum authorized level of 4 million metric tons of grain. Wheat has been released from the FSCR six times in the 18 years that the FSCR has been in existence. The average release per year has been about 8.5 million bushels. CBO estimates that, under current law, USDA would continue to release grain from the FSCR but at

somewhat less than the historical average rate. Under H. R. 4283, we expect releases to continue at about 8.5 million bushels annually for years when the FSCR can be replenished.

Increases in costs for grain purchases would be limited to fiscal years 2000 to 2002 and by the \$20 million annual limit on purchases. Additional storage costs would be about \$3 million a year beginning in 2002.

CBO's estimated costs incorporate various adjustments to account for USDA's ability to hold money as well as grain in the Trust. CBO assumes that USDA would hold cash for short periods, mainly to facilitate more efficient management of grain stocks. Holding grain in the Trust is more supportive of farm prices than holding cash.

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